

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY TO ENTER)	CASE NO. IPC-E-03-9
INTO CERTAIN FINANCING TRANSACTIONS)	
FOR THE REFUNDING OF \$49,800,000 OF)	
HUMBOLDT COUNTY, NEVADA POLLUTION)	ORDER NO. 29305
<u>CONTROL REVENUE BONDS.</u>)	

On June 24, 2003, Idaho Power Company ("Idaho Power" or "Company") filed an Application for authority to enter into certain financing transactions for the refunding of \$49,800,000 in outstanding pollution control revenue bonds issued by Humboldt County, Nevada ("Humboldt County"). The purpose of these transactions is to secure a lower average interest rate and/or extend the average maturity of the bonds. Idaho Power is an electrical utility headquartered in Boise, Idaho, that provides retail electrical service to approximately 380,000 customers in southern Idaho and eastern Oregon. The Commission, having fully considered the Application, attached exhibits, its files relating to this Application and the applicable laws and rules, grants the Application.

FINDINGS OF FACT

Idaho Power is an electric public utility incorporated under the laws of the State of Idaho that is engaged principally in the generation, purchase, transmission, distribution, and sale of electric energy in southern Idaho and eastern Oregon. Its principal executive offices are located in Boise, Idaho.

Idaho Power proposes, subject to the approval of the Commission, to enter into an agreement with Humboldt County whereby Humboldt County will issue and sell not to exceed \$49,800,000 aggregate principal amount of one or more series of pollution control revenue refunding bonds (the "Refunding Bonds") and loan the proceeds from such sale to Idaho Power. The Company will use the loan proceeds, together with certain monies provided by Idaho Power, to redeem the \$49,800,000 aggregate principal amount of Humboldt County, Nevada Pollution Control Revenue Bonds (Idaho Power Company Project) Series 1984 (the "Outstanding Bonds"). According to the Company's Application, the proposed refunding transactions will secure a lower average interest rate and/or extend the average maturity for the Refunding Bonds as compared to the Outstanding Bonds.

The Outstanding Bonds were issued by Humboldt County on December 20, 1984, in the original principal amount of \$56,200,000, of which \$6,400,000 was subsequently retired. On June 2, 1986, the Outstanding Bonds were re-offered at a fixed interest rate of 8.30% per annum. The Commission approved Idaho Power's participation in the original issuance of the Outstanding Bonds in 1984 in Case No. U-1006-246 (Order No. 19275) and in the re-offering of the Outstanding Bonds at a fixed rate in 1986 in Order No. 20348. The proceeds of the Outstanding Bonds were applied to refinance prior notes issued by Humboldt County to finance a portion of the cost of construction of Idaho Power's 50% undivided interest in certain air and water pollution control facilities at the Valmy Thermal Generating Plant located in Humboldt County in northern Nevada.

To the extent that the proceeds from the sale of the Refunding Bonds are not immediately applied to the refunding of the Outstanding Bonds, they may be temporarily invested by the trustee in high grade, short-term taxable securities.

The interest rate or rates for the Refunding Bonds may be fixed or variable and may be converted to fixed or variable rate(s) during the term(s) of the Refunding Bonds. Idaho Power will notify the Commission by letter within seven (7) days (or as soon as possible, if the required information is not available within seven (7) days) before the issuance of the Refunding Bonds of their likely range of interest rates and other terms.

Idaho Power expects the Refunding Bonds will be issued on or prior to December 1, 2003, which is the first redemption date of the Outstanding Bonds. Idaho Power states that the Refunding Bonds may be issued prior to December 1, 2003 to take advantage of favorable interest rates. The Refunding Bonds may also be issued through a "forward delivery" process, under which the parties would execute the transaction documents for the issuance of the Refunding Bonds, and set the interest rate for the Refunding Bonds (which may be fixed or variable), prior to the actual issuance date for the Refunding Bonds. According to Idaho Power, the forward delivery process would allow the Company to lock in favorable interest rates for an early lock-in fee, in advance of the December 2003 redemption date of the Outstanding Bonds. Idaho Power may also enter into interest rate swaps with respect to the Refunding Bonds, and/or interest rate hedging arrangements, including treasury interest rate locks, treasury interest rate caps and/or treasury interest rate collars.

The Company will endeavor to extend the average maturity of the Refunding Bonds beyond the December 1, 2014 maturity date of the Outstanding Bonds, where possible, to take advantage of the lower interest expense of the Refunding Bonds.

Idaho Power states that the Refunding Bonds will be issued pursuant to an indenture of trust between Humboldt County and a trustee. Pursuant to a loan agreement between Humboldt County and the Company, the proceeds from the sale of the Refunding Bonds will be loaned to Idaho Power to pay for the refunding of \$49,800,000 aggregate principal amount of the Outstanding Bonds. Under the loan agreement, the Company will be obligated to pay absolutely and unconditionally, to the extent sufficient funds are not already in the possession of the trustee, the principal of, interest on, and premium, if any, on the Refunding Bonds, as well as certain fees and expenses associated with the transaction. Humboldt County's full faith and credit will not be pledged to the payment of the Refunding Bonds.

To achieve favorable ratings by national bond rating agencies for the Refunding Bonds, Idaho Power may collateralize the Refunding Bonds with its own First Mortgage Bonds, or it may enter into guarantees, pledges or other security agreements or arrangements to insure timely payment of amounts due in respect of the Refunding Bonds. The Company may also enter into letters of credit, insurance or other arrangements with unrelated parties pursuant to which such parties may lend additional credit or liquidity support to the Refunding Bonds. The intended purpose of such additional credit or liquidity support is to enhance the credit rating of the Refunding Bonds and thereby reduce the interest expense of the Refunding Bonds.

The Refunding Bonds will be sold on a negotiated public offering basis by Humboldt County to the underwriters selected for the transaction (the "Underwriters"), pursuant to a contract of purchase. Idaho Power expects the Underwriters to be selected by July 1, 2003 and will notify the Commission of the selection at that time. The Underwriters will receive a fee of not greater than 1.00% of the aggregate principal amount of the Refunding Bonds offered.

CONCLUSIONS OF LAW

Idaho Power is an electrical corporation within the definition of *Idaho Code* § 61-119 and is a public utility within the definition of *Idaho Code* § 61-129.

The Idaho Public Utilities Commission has jurisdiction over this matter pursuant to the provisions of *Idaho Code* § 61-901 *et seq.*, and the Application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedures, IDAPA 31.01.01.141-.150.

The method of issuance is proper.

The general purposes to which the proceeds will be put are lawful purposes under the Public Utility Law of the state of Idaho and are compatible with the public interest. However, the Commission does not have before it for determination and, therefore, does not determine the effect of the refunding transaction proposed in Idaho Power's Application on the rates Idaho Power will charge consumers for electric serve in the state of Idaho. The issuance of an Order authorizing the proposed financing does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes, which determination the Commission expressly reserves until the appropriate proceeding.

All fees have been paid by Idaho Power in accordance with *Idaho Code* § 61-905.

ORDER

IT IS THEREFORE ORDERED that Idaho Power Company is granted authority to (1) enter into contracts of purchase, loan agreements, letter of credit agreements, security agreements and such other agreements or arrangements as may be reasonably necessary in connection with the issuance by Humboldt County for the benefit of Idaho Power, and the loan by Humboldt County to Idaho Power of the proceeds from the issuance, of up to \$49,800,000 aggregate principal amount of pollution control revenue refunding bonds; and (2) assume liability as guarantor, pledgor, surety or otherwise (including issuance of Idaho Power Company's First Mortgage Bonds) with respect to the principal of, interest on, and premium, if any, on the Refunding Bonds; all for the purpose of effecting the refunding of \$49,800,000 aggregate principal amount of the Outstanding Bonds, under the terms and conditions of and as set forth in Idaho Power's Application.

IT IS FURTHER ORDERED that Idaho Power Company notify the Commission by letter within seven (7) days (or as soon as possible, if the required information is not available within seven (7) days) before the issuance of the Refunding Bonds of the likely range of interest rates and other terms for the Refunding Bonds.

IT IS FURTHER ORDERED that Idaho Power file, as soon as possible after the completion of the transactions, the final documents, exhibits and debt agreements as set forth in its Application.

IT IS FURTHER ORDERED that the foregoing authorization is without prejudice to the regulatory authority of this Commission with respect to rates, utility capital structure, service,

accounts, evaluation, estimates for determination of cost or any other matter which may come before this Commission pursuant to its jurisdiction and authority as provided by law.

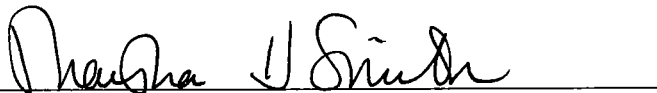
IT IS FURTHER ORDERED that nothing in this Order and no provisions of Title 61, Chapter 9, Idaho Code, or any act or deed done or performed in connection therewith shall be construed to obligate the State of Idaho to pay or guarantee in any manner whatsoever any security authorized, issued, assumed or guaranteed under the provisions of said Title 61, Chapter 9, Idaho Code.

IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of the Idaho Power's exhibits or other material accompanying the Application for any purpose other than the issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. IPC-E-03-9 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. IPC-E-03-9. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

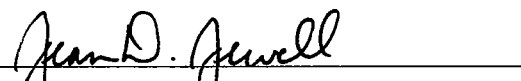
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 25th
day of July 2003.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

O:IPCE0309_in